

Message Text

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FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS

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FOLLOWING TELEGRAM FROM MTN GENEVA DATED MAY 13, 1977
SENT SECSTATE WASHDC IS REPEATED TO YOU: QUOTE

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ACTION STR

E.O. 11652: NA

TAGS: MTN ETRD GATT

SUBJECT: POST-SUMMIT MTN FOLLOW-UP: TARIFFS STRATEGY

1. SUMMARY. U.S. DEL RECOMMENDS UNITED STATES FOLLOW-UP
AGREEMENT ON MTN AT DOWNING STREET SUMMIT BY INITIATING
DETAILED BILATERAL NEGOTIATIONS WITH MAJOR TRADING PARTNERS
AIMED AT ACHIEVING A CONSENSUS ON A TARIFF NEGOTIATING
PLAN BY SEPTEMBER. END SUMMARY.

2. IN ADDITION TO AGRICULTURE AND SUBSIDIES/CVD -- TWO
KEY ISSUES THAT MUST BE UNBLOCKED IF THE MTN IS TO GET
OFF THE GROUND -- THE PROMPT ELABORATION BY THE U.S. OF
A TARIFF NEGOTIATING STRATEGY IS ALMOST AS URGENT. THE
HYPOTHETICAL TIME SEQUENCE BAR GRAPHS WE GAVE TO STRAUSS
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AND WOLFF DURING THEIR VISIT HERE APRIL 20-21 WERE DESIGNED
NOT SO MUCH WITH IDEA OF INDICATING PRECISE LENGTH OF
TIME EACH STEP IN THE PROCESS WILL TAKE, BUT RATHER TO
SHOW THE INTERRELATIONSHIP BETWEEN WASHINGTON DECISIONS
AND NEGOTIATING PROCESS HERE AND IN KEY CAPITALS AND
TO UNDERLINE THE FACT THAT THE TOTAL PROCESS INTER-
NATIONALLY WILL BE VERY TIME-CONSUMING UNDER THE BEST

OF CIRCUMSTANCES. IF WE ARE TO FULFILL SUMMIT
CONSENSUS TO MOVE FORWARD ON THE MTN, WE MUST TAKE
INITIATIVE IN TARIFFS AREA OR THE WHOLE MTN SCHEDULE
WILL SLIP. THE TARIFFS AREA IS WIDELY INTERPRETED AS A
PACESETTER FOR THE MTN, AND THE SYMBOLIC SENSE OF
PROGRESS DEPENDS, TO A SIGNIFICANT DEGREE, ON MOVEMENT
IN THIS AREA.

3. WE BELIEVE THAT AN EXTENSIVE BILATERAL WITH THE EC
SHOULD BE THE FIRST PRIORITY IN THIS AREA, AFTER
WASHINGTON POLICY DECISIONS ON ELEMENTS OUTLINED BELOW,
FOLLOWED BY BILATERALS WITH JAPAN AND CANADA. THE TIME
TARGET WE RECOMMEND IS TO NEGOTIATE AGREEMENT IN THE
TARIFFS GROUP BY THE END OF SEPTEMBER. IN ORDER TO
MEET THIS TARGET, WE WOULD NEED TO START THESE
BILATERALS IN JUNE (CERTAINLY NO LATER THAN EARLY
JULY).

4. IN OUR RECOMMENDATIONS OUTLINED BELOW, WE HAVE
ATTEMPTED TO DEVISE A PLAN THAT WILL PERMIT US TO GET
STARTED BILATERALLY AND MULTILATERALLY BUT WHICH WILL
ALLOW US AND OTHERS TO PUT OFF UNTIL SOMEWHAT LATER
THE POLITICALLY SENSITIVE ISSUE OF WHAT INDIVIDUAL
ITEMS WILL BE PLACED ON OFFERS AND EXCEPTIONS LISTS.
OUR RECOMMENDATIONS WITH RESPECT TO THE MAIN ELEMENTS
OF THIS TARIFFS STRATEGY ARE AS FOLLOW.

(A) COVERAGE -- THE ISSUE OF WHETHER OR NOT AGRICUL-
TURE IS TO BE COVERED BY A TARIFF-CUTTING FORMULA REMAINS
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THE MAJOR PROBLEM BLOCKING A MEANINGFUL NEGOTIATION ON
A TARIFF NEGOTIATING PLAN (TNP). WE CONTINUE TO BELIEVE
THAT IN AN EARLY HIGH-LEVEL BILATERAL WITH EC, U.S.
SHOULD INDICATE ITS WILLINGNESS TO BREAK PROCEDURAL
LOGJAM WITH RESPECT TO AGRICULTURAL TARIFFS BY
ACCEPTING "REQUEST AND OFFER" PROCEDURE FOR AGRICULTURAL
TARIFFS IN RETURN FOR (I) EC ASSURANCES THAT THEY WILL
NEGOTIATE ON PARTICULAR TARIFFS ON AGRICULTURAL ITEMS
OF INTEREST TO THE U.S., AND (II) THAT EC OFFERS ON
AGRICULTURAL TARIFFS WOULD BE TABLED AT SAME TIME AS
OFFERS AND EXCEPTIONS ON INDUSTRIAL TARIFFS, THEREBY
PRESERVING PARALLEL PROGRESS IN INDUSTRY AND AGRICULTURE.
U.S. REQUESTS ON AGRICULTURAL ITEMS COULD BE SPELLED
OUT IN BILATERAL SESSIONS DURING THE PERIOD BETWEEN
AGREEMENT ON A TNP AND THE TABLING OF EXCEPTIONS.
IF ACCOMMODATION WITH EC OUTLINED ABOVE IS ACHIEVED,
WE COULD ALLOW AGRICULTURAL OFFERS TO BE TABLED IN
AGRICULTURE GROUP SINCE THE PARALLEL TIMING OF OFFERS
AND THE BILATERAL FRAMEWORK OF THE OFFER AND REQUEST

PROCEDURE SHOULD ASSURE THAT NEGOTIATIONS ON AGRICULTURE AND INDUSTRY MOVE TOGETHER.

(B) TARIFF FORMULA -- SUMMIT LANGUAGE ON TARIFF FORMULA OFFERS SOMETHING FOR EACH OF THREE COMPETING VIEWS -- HARMONIZATION TO EC AND JAPAN, DEPTH OF CUT TO U.S., AND ELIMINATION OF LOW DUTIES TO CANADA. WE SHOULD CAPITALIZE ON THIS LANGUAGE IN BILATERALS WITH EC, JAPAN AND CANADA BY INDICATING U.S. WILLINGNESS TO MOVE AWAY FROM U.S. TARIFF FORMULA PROPOSAL IF OTHERS ARE WILLING TO DO LIKEWISE IN ORDER TO ACHIEVE A CONSENSUS. WE SHOULD INDICATE THAT THE U.S. IS WILLING TO DO THIS IN ANY OF SEVERAL WAYS: (1) BY SEEKING A NEW MATHEMATICAL FORMULA ON WHICH DELS CAN AGREE; (2) BY SEEKING A COMPROMISE FORMULA IN TERMS OF ONE OF THE FORMULAS ALREADY PRESENTED; OR (3) BY TEMPORARILY IGNORING THE ALGEBRAIC FORMULATIONS IN LIMITED OFFICIAL USE

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ORDER TO DISCUSS DEPTH OF CUT BY TARIFF INTERVALS (E.G., 40 PERCENT REDUCTION FOR TARIFFS 0 TO 5 PERCENT; 50 PERCENT FOR TARIFFS 5 TO 15 PERCENT, ETC). WE BELIEVE THAT TAKING THE THIRD APPROACH INITIALLY, THEN MOVING TO (1) OR (2) AS THE TRADE-OFFS BECOME CLEARER MAY OFFER THE BEST CHANCE OF PROGRESS ON A TARIFF-CUTTING FORMULA. FITTING THE CANADIANS INTO ANY TARIFF FORMULA ACCEPTABLE TO THE EC AND JAPAN MAY NOT BE POSSIBLE AND U.S. SHOULD BE PREPARED TO DISCUSS (PARTICULARLY WITH THE CANADIANS, BUT ALSO WITH THE EC AND JAPAN) A FORMULATION THAT, WHILE NOT PART OF THE ALGEBRAIC NATURE OF THE TARIFF FORMULA, WOULD BE INCLUDED IN THE TARIFF-CUTTING PLAN. THIS MIGHT TAKE THE FORM OF AGREEING TO LANGUAGE RECOGNIZING THE DESIRABILITY OF ELIMINATING TARIFFS ON LOW-DUTY ITEMS WITH CREDIT BEING GIVEN TO DCS MAKING SUCH DEDUCTIONS. CANADA'S SPECIFIC REQUESTS COULD THEN BE SPELLED OUT IN BILATERALS PRIOR TO THE TABLING OF OFFERS AND EXCEPTIONS. THE CANADIANS HAVE REPEATEDLY STATED THAT A BILATERAL U.S.-CANADIAN SOLUTION TO THEIR PROBLEM IS NOT SUFFICIENT, BUT CANADIANS MIGHT BE WILLING TO PARTICIPATE AS TARIFF FORMULA COUNTRY IF THEIR INTERESTS COULD BE TAKEN INTO ACCOUNT IN ABOVE MANNER.

(C) EXCEPTIONS PROCEDURES -- WHILE WE WANT TO AVOID A DISCUSSION OF EXCEPTIONS WHICH MIGHT HURT OUR CHANCES OF GETTING AGREEMENT ON A SUBSTANTIAL FORMULA CUT, SEVERAL FORMULA PARTICIPANTS HAVE LINKED ACCEPTANCE OF THE FORMULA TO THE RULES AND PROCEDURES FOR THE EXCEPTIONS PROCESS. THE U.S. SHOULD THEREFORE BE

PREPARED TO INDICATE THE KIND OF RULES AND PROCEDURES
IT WOULD FAVOR. WE BELIEVE THAT GENERAL LANGUAGE,
I.E., MAXIMUM RESTRAINT TO MINIMIZE EXCEPTIONS, PLUS
SOME GENERAL CRITERIA ON WHAT MIGHT BE JUSTIFIED TO
APPEAR ON EXCEPTIONS LISTS, IS LIKELY TO BE MOST
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ACCEPTABLE TO KEY PARTICIPANTS. IN EFFECT, WE WANT
TO GET A COMMITMENT TO "FAIR PLAY" IN THE EXCEPTIONS
PROCESS, WHILE ESTABLISHING RULES THAT LEAVE THE
DISCUSSION OF SPECIFIC EXCEPTIONS UNTIL LATER AND THAT
GIVE THE U.S. SUFFICIENT FLEXIBILITY IN DESIGNING ITS
EXCEPTIONS STRATEGY FOR THE HORSE-TRADING PHASE OF
THE NEGOTIATIONS. IN ADDITION, WE BELIEVE PROCEDURES
CALLING FOR BILATERAL DISCUSSIONS AFTER THE
ACCEPTANCE OF A TNP, BUT PRIOR TO THE TABLING OF
EXCEPTIONS AND OFFERS, COULD LESSON THE PERCEIVED NEED
FOR A MULTILATERAL EXAMINATION OF EXCEPTIONS. WE
RECOGNIZE THAT DOMESTIC PROCEDURES WITH ADVISORY GROUPS
MAY INFLUENCE THE U.S. TO OPT FOR A MULTILATERAL
EXAMINATION OF EXCEPTIONS, AND LDCS ARE SURE TO WANT
ONE AS THEIR CHIEF MEANS OF LEVERAGE ON EXCEPTIONS.
NEVERTHELESS, WE (AND WE THINK SEVERAL OTHER DELS) WOULD
LIKE TO AVOID THE POTENTIAL CONFRONTATIONS OF A MULTI-
LATERAL C AND J, PARTICULARLY ONE INCLUDING LDC
PARTICIPATION. A PRETABLING PHASE OF BILATERAL DISCUS-
SIONS
SIONS BETWEEN DCS AND DCS-LDCS (SEE D BELOW) WHICH
COULD BE CONTINUED INTO THE POST-TABLING PERIOD OFFERS
A POSSIBILITY FOR CHANNELING DISCUSSIONS ON EXCEPTIONS
INTO A BILATERAL FRAMEWORK.

(D) SPECIAL AND DIFFERENTIAL TREATMENT (S AND D) --
WE CONTINUE TO BELIEVE THAT AN S AND D PROCEDURE
WHICH ALLOWS EACH LDC TO REQUEST BY PRODUCT THE TYPE
OF TREATMENT THAT IT WANTS FROM DCS WHILE ALSO ALLOWING
EACH DC TO STATE GENERALLY THOSE TYPES OF S AND D
THAT IT CAN OR IS WILLING TO IMPLEMENT IS THE BEST
PROCEDURE IN THE PREVAILING ATMOSPHERE. WE SHOULD
MAKE CLEAR TO OTHER DCS THAT ANY OF THEIR RESPONSES
WHICH IMPINGE ON U.S. TRADE INTERESTS WILL BE TAKEN
INTO ACCOUNT BY US IN ASSESSING RECIPROCITY. SUCH A
PROCEDURE COULD ALSO PROVIDE FOR BILATERALS BETWEEN
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DCS AND LDCS, DURING THE PERIOD BETWEEN AGREEMENT ON

A TNP AND THE TABLING OF EXCEPTIONS, AIMED AT
CLARIFYING LDC REQUESTS AND PRESENTING DC REQUESTS
TO LDCS.

(E) STAGING -- WE RECOMMEND A STANDARD STAGING OF
TARIFF REDUCTIONS OF FIVE OR SIX YEARS WITH DEROGA-
TIONS FOR PARTICULAR PRODUCT OR PRODUCT CLUSTERS.

(F) BASE RATE/BASE DATE -- IN BILATERALS WITH THE
JAPANESE, U.S.S. SHOULD SEEK ACCOMMODATION ON BASE
RATE ISSUE IN RETURN FOR JAPANESE REDUCTION OF APPLIED
JAPANESE TARIFFS ON PRODUCTS OF PARTICULAR U.S. EXPORT
INTEREST ON A BASIS COMPARABLE TO TARIFF FORMULA
REDUCTIONS.WALKER UNQUOTE CHRISTOPHER

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